MONTHLY NEWSLETTER – November 2023

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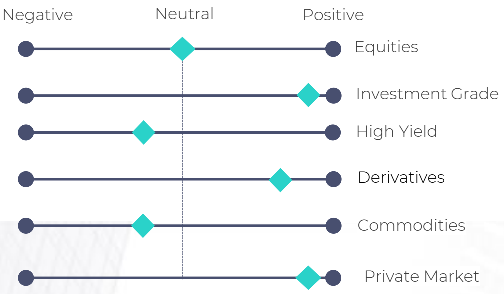
"After a bearish October, November clearly favored both stocks and bonds, thanks to better-than-expected inflation data. Inflation continues its downward trajectory in the United States, Europe, and the UK, allowing central banks to soften their rhetoric and keep rates unchanged. Markets are now anticipating rate cuts as early as the first half of 2024. While favorable for bonds, this movement should also benefit stocks, which have clearly been impacted by central bank actions in recent months. Caution, however, remains necessary regarding the macroeconomic situation, especially in Europe, and selectivity in stocks remains key. We continue to favor investment-grade bonds and alternative investments that bring decorrelation and strong diversification to portfolios."

OUR MARKET VIEWS



POTENTIAL MARKET CATALYSTS

- **Central bank's interest rates cuts**
- **Continuing Inflation easing**
- **Softening labour market**
- **Easing of geopolitical tensions (Israel/Hamas)**

KEY INDICATORS

Equities (%)	Level	Oct.	Nov.	YTD
S&P 500	4 568	-2,2	8,92	18,98
Nasdaq 100	15 948	-2,1	10,67	44,67
Eurostoxx 50	4 382	-2,7	7,91	16,38
FTSE 100	7 454	-3,8	1,80	0,82
China SI 300	3 496	-3,2	-2,14	-10,63
Emerging markets	987	-3,9	7,86	2,69

Bonds (rate spreads)	Level	Oct.	Nov.	YTD
		Spread change level		
10 year government bonds				
US	4,33	0,36	-0,60	0,41
Europe	2,45	-0,03	-0,36	-0,22
Corporate – 5 years spread (change level)				
Investment Grade US	62	5,58	-17,10	-20,16
Investment Grade Europe	108	6,13	-14,66	-16,19
High Yield US	402	36,27	-114,35	-85,09
High Yield Europe	374	22,37	-76,74	-106,52

Currencies (%)	Level	Oct.	Nov.	YTD
EUR / USD	1,0888	0,0	2,96	1,12
GPB / USD	1,2624	-0,4	3,88	4,45
CHF / USD	1,1426	0,5	4,02	-5,59

Commodities (%)	Level	Oct.	Nov.	YTD
Gold	2 036	7,3	2,65	11,05
Brent	83	-8,3	-5,24	8,40
Copper	385	-2,1	4,46	0,92
Aluminium	2 166	-3,9	-3,68	-7,12

Volatility	Level	Oct.	Nov.	YTD
Euro Stoxx 50	14	12,8	- 29,90	-0,32
Nasdaq 100	13	3,5	-28,78	-0,39

Cryptos (%)	Level	Oct.	Nov.	YTD
Bitcoin	37 751	28,0	8,95	151,5
Ethereum	2 046	8,0	12,75	85,0

Sources: Bloomberg, Norman K. - Data as of November 30th 2023. Past performance is not a reliable indication of future performance. Non-contractual information.

CHART OF THE MONTH

US Inflation has moved down sharply

Following two months of higher-than-expected US CPI numbers (mainly driven by higher energy prices and healthcare costs), the October CPI and core CPI were both below expectations.

Source: November 2023, Bloomberg

NOVEMBER : BAD NEWS IS GOOD NEWS!

USA: The Federal Reserve is still on pause

- The U.S. economy grew at a 4.9% annual pace in the 3rd quarter, ahead of estimates and more than double the second-quarter pace, driven by consumer spending.
- Manufacturing & industry are still weakening, weighting on growth
- Labour market showed signs of softening with decreasing job openings, slowing wage growth and a slight rise of jobless claims.

Our view: In early November, the Fed maintained interest rates at their current level. The downward path of Inflation boosts investor confidence, especially when combined with a resilient economy. Nevertheless, consumption is expected to slow, and may present some risks on Q4 GDP.

EUROZONE: Inflation to 2-year low, ECB also pressed pause

- The Eurozone inflation fell to 2.9% in October, its lowest for more than two years, bolstering expectations that the European Central Bank will not raise interest rates further.
- Poor demand from China, labor shortages, high interest rates and the lingering fallout from last year's energy crisis have hurt German's factories and Eurozone economy.
- GDP may shrink as much as 0.6% in 2023.

Our view: Considering the near stagnation of the Eurozone economy and the downward trajectory of inflation, the ECB may keep the option open for additional hikes, but the odds of a further rise in rates are weak.

CHINA: Slowing markets despite more positive macro figures

- Third-quarter GDP, industrial production, and retail sales exceeded expectations.
- However, the real estate sector remains under pressure.
- New US restrictions on AI chip exports to China further weighed on market sentiment.

Our view: Despite better-than-expected data, we remain cautious over China where markets have been volatile since the beginning of the year.

Speeches and actions of central banks continue to act as a **significant catalyst for equity markets**, even more than macroeconomics. In fact, weaker macroeconomic data has been perceived as good news for markets ("bad news is good news"), as they hoped for a slowdown in the restrictive policies of central banks. Resilient consumption in the United States has supported growth, while the industry suffers both in the US and in the Eurozone, where macroeconomics holds far less weight. Equity market valuations remain supported by central bank balance sheets, which, despite the gradual decline, still stand at elevated levels.

We do not have strong enough catalysts to turn overweight on equities and we remain **neutral**, especially within a context of high Price-to-Earning multiple, **slowing growths and mixed economic indicators**. Beyond the sectors, we prefer to focus on companies with strong balance sheets, low debt, high cash flow generation and strong management.

Considering the pause in monetary tightening and slowing inflation data, central banks rate cuts can now be anticipating for 2024. In this context, we continue to prefer **investment grade credit**, particularly on long durations that could allow to benefit strongly from a potential interest rates decrease.

We systematically seek **diversification and decorrelation** with **NK alternatives solutions**, with long-term strategies that allow portfolios to withstand some market situations and protection against certain risks.

WHICH OPPORTUNITIES IN THIS CONTEXT?

High valuations of stocks	Pause in rates hikes	Weaker macroeconomic environment
• In-depth analysis and selectivity • Partial profits taking	• "Lock" current yield levels and invest on bonds	• Alternative investments • Pre-IPO segment / private debt / asset finance

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